

## Fairview Holdings Limited – financial summary

The Fairview Holdings Limited group (“Fairview”) is a residential property developer. Fairview specialises in the unconditional purchase of brownfield sites, securing the necessary planning consents and building a full range of homes from studio apartments to large family houses according to location. The Group’s core focus is on the first time buyer and second stepper markets in Greater London and the south east of England. No change is anticipated to this business model.

The Fairview Holdings Limited Employee Benefit Trust owns 100% of Fairview Holdings Limited.

### Financial highlights for the year ended 31 December 2022

	2022	2021
Legal completions (including joint ventures)	792	977
	£m	£m
Total sales including share of joint ventures	<u>317.5</u>	<u>275.0</u>
Operating profit including share of joint ventures	<u>47.2</u>	<u>50.2</u>
Land & work in progress	208.1	249.1
Share of joint venture developments	53.4	36.1
Other net assets/(liabilities)	9.0	(8.2)
Shareholder’s funds	<u>270.5</u>	<u>277.0</u>
Net cash	<u>119.0</u>	<u>88.3</u>

Turnover for the year was £274.2 million (2021: £223.2 million) including 522 legal completions (2021: 629 completions). With the inclusion of share of joint ventures, turnover for the year was £317.5 million (2021: £275.0 million) including 792 legal completions (2021: 977 completions).

The year has been adversely affected by the uncertainties and cost increases arising directly and indirectly from Russia’s invasion of Ukraine and the volatile political environment in the UK as well as the continuing impact of COVID on supply chains. Rising energy costs and increases in interest rates affected purchaser confidence, particularly in the final quarter of the year. This coincided with closure of the government’s Help to Buy scheme to new reservations from the end of October 2022, which significantly reduced access to the housing market for first-time buyers. Across the year as a whole sales prices showed a marginal increase on the prior period as the majority of reservations were secured in the first nine months.

Availability of sub-contract labour in certain trades remains below the desired level and, in some instances, this together with delays to material supplies led to minor deferrals in build programmes. Overall, build cost inflation during the year was around 9%.

Included within the results for 2022 is an increase of £20.4 million (2021: £20.8 million) in the provision for costs of fire safety remediation works associated with legacy developments. The increase reflects signature by the Group on 1 April 2022 of a pledge committing to remediate at no cost to leaseholders life-critical fire-safety defects in buildings over 11 metres developed in the last 30 years and to reimburse government for monies already spent on similar work. Necessary works have already completed at some developments and are ongoing at a number of other sites. The Group is in active negotiation with management companies and their advisers in all other known cases to agree the scope and a programme of works. In March 2023 the Group entered into a contractual arrangement with the Department of Levelling Up Homes and Communities which incorporates the pledge commitments

Shareholder’s funds were £270.5 million at 31 December 2022 (2021: £277.0 million). Cash at the year-end was £119.0 million (2021: £88.3 million).

The Group renewed its £90m revolving credit facility for a further 4 years on 28 December 2022 extendable by agreement to 5 years after the first 12 months.

### Land, planning and work in progress

The land market remained highly competitive throughout the year. The continued shortage of sites and increasing planning challenges meant that viable opportunities were keenly contested with deals agreed by others at values incompatible with our required returns. Expenditure on new land was therefore below target for a second year, although acquisitions were contracted during 2022 for the development of 925 new homes (2021: 503).

Only two developments (including a joint venture) to deliver 473 new homes obtained planned consents during the year. A second joint venture application for 538 new homes was refused at planning committee and subsequently rejected at appeal.

At 31 December 2022 the land bank for the Group comprised over 3,400 plots (2021: 3,200 plots), of which over 3,100 benefitted from full planning permission (2021: 1,800).

### **Future prospects**

Following expiry of the Help to Buy scheme and increases in interest rates, affordability for our customers has been significantly impacted. However, since the beginning of 2023 there has been a stabilisation and modest reduction in mortgage rates and more lenders and products have returned to the market. This has supported an improvement in customer enquiries, but sales rates are expected to remain below 2022 with some pressure on pricing at certain sites.

Availability of construction materials has improved, but build cost inflation remains a challenge and any sustained easing is more likely to occur in the second half of the year. The planning system remains under-resourced and increasingly politicised, with the government's recent relaxation in the application of targets for delivery of new homes likely to result in significantly fewer new homes being built. However over 95% of sales completions forecast for the next two years already benefit from the necessary planning approvals.

Whilst provision has been made for known fire-safety remediation costs at legacy developments there remains a risk that further cases may be identified as the Group continues its review of developments potentially affected.

Overall, it is anticipated that the next two years will be challenging for sales and margins as a result of purchaser affordability constraints affecting sales prices and continued build cost inflation.

The Group activated its registration with the New Homes Quality Board with effect from 7th March 2023.

### **Fairview Holdings Limited – s172(1) statement**

#### **Stakeholder engagement**

In carrying out their duties under s172(1) (a) to (f), the Directors have regard to both the short- and long-term impact of their decisions, the interests of the Group's employees, its sub-contractors, suppliers, consultants and purchasers of new homes developed by the Group, the impact of its activities on the communities in which it operates and the environment. Other key business relationships are with land vendors and their agents, planning authorities, new home warranty providers and building control, housing association purchasers of affordable homes, the New Homes Quality Board, the Group's bank lenders, taxation authorities and The Fairview Holdings Limited Employee Benefit Trust, the Group's sole shareholder.

The Group's business model is based on providing purchasers with value-for-money new homes, built to a good standard, delivered on programme, generally on previously-developed land. The Group aims to optimise the development potential of its sites in consultation with planning authorities and local communities; provide a well-ordered and safe working environment for employees and sub-contractors; make prompt payment to all members of its supply chain (except in the case of dispute); operate in compliance with applicable laws and regulations; and conduct its business in an open and direct manner with all stakeholders. From contact with the Group's various stakeholders over many years, these are considered to be the most important factors in our engagement with them.

The principal means of engaging with stakeholders are:

- direct line management and team meetings with employees as well as appraisals;
- regular dialogue between the Company's land acquisition team, land vendors and their agents;
- pre-application meetings with planning authorities and public exhibitions & consultations on new development proposals;
- regular contact with suppliers and sub-contractors, consultants and warranty providers, both at corporate and site level;
- on-site and head office sales teams communicating closely with purchasers and potential purchasers during the course of marketing and progression of sales reservations through to completion, supported by a dedicated post-completion customer service team;
- monthly reporting and regular dialogue with the Group's bank lenders.

Individual developments and the Group's operations have continued to be carried out in line with these principles.

**Employee engagement**

The principal means of employee engagement is through the Group's clearly-defined line management structure. As is typical for a business of this size, directors and senior management are closely involved in operational matters providing ample opportunity for engagement with employees at all levels. There is an open-door culture affording all employees the opportunity to raise matters with directors and senior management in addition to their direct line manager. More formally, the Group has a subsidiary board, whose meetings are attended by at least two Group Board directors, and which typically meets four times a year.

Formal policies and procedures applicable to employees are included in a staff handbook and health & safety requirements and responsibilities are advised in a manual that is updated annually.

Decisions to acquire new sites and the optimisation of development proposals are carried out in "round-robin" format with reporting and representation from employees of all departments within the business integral to the development process.

Employees participate in various incentive schemes designed to align their interests with those of the business more widely.

29 March 2023